

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF WEST VIRGINIA
AT BECKLEY

TRANSCRIPT OF PROCEEDINGS

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:
JAMES RIVER EQUIPMENT, : CIVIL ACTION
Virginia, LLC, : NO. 5:13-CV-28160
:
Plaintiff, :
vs. :
:
JUSTICE ENERGY COMPANY, : October 14, 2014
INC., a West Virginia :
Corporation, :
:
Defendant. :
:
-----X

DEBTOR EXAMINATION HEARING

BEFORE THE HONORABLE R. CLARKE VANDERVORT
UNITED STATES MAGISTRATE JUDGE

APPEARANCES:

For the Plaintiff: MR. JASON S. HAMMOND
Bailey & Wyant
P.O. Box 3710
Charleston, WV 25337-3710

Also Present: MR. VLADISLAV ANDREEV

Court Reporter: Lisa A. Cook, RPR-RMR-CRR-FCRR

Proceedings recorded by mechanical stenography; transcript
produced by computer.

P R O C E E D I N G S

THE COURT: Good morning.

This is the matter of *James River Equipment vs. Justice Energy Company*, Civil Action Number 5:13-28160.

The Court notes in attendance in behalf of James River Attorney Jason Hammond. And the purpose of this proceeding is to have a judgment debtor examination.

A subpoena was issued to Justice Energy Company, and a Mr. Vladislav Andreev has showed up in the position of Vice President of Finance of that company.

Jason, are you ready to proceed, sir?

MR. HAMMOND: Yes, whenever you are, Your Honor.

THE COURT: All right.

Mr. Andreev, we will place you under oath, sir. Are you familiar with these sorts of proceedings?

MR. ANDREEV: Not exactly.

THE COURT: Pardon me?

MR. ANDREEV: Not exactly.

THE COURT: All right. Do you understand that a judgment has been taken against Justice Energy --

In what amount, Jason?

MR. HAMMOND: I can grab it here. I think it's roughly \$160,000.

THE COURT: \$160,000.

MR. ANDREEV: Yes, I do.

1 THE COURT: Okay. The purpose of this proceeding
2 is to explore how and the means by which obtaining payment
3 from Justice Energy to James River. So, the purpose of this
4 proceeding will be to place you under oath, have you take a
5 seat in the witness stand. Just hold on a second. And then
6 we are going to ask you any number of different questions
7 about the company, you see. Mr. Hammond can do so or I can
8 do so, sir. And/or I can do so. Do you understand, sir?

9 MR. ANDREEV: Yes.

10 THE COURT: Okay. Please rise. Raise your right
11 hand and take the oath, sir.

12 **VLADISLAV ANDREEV**, PLAINTIFF'S WITNESS, SWORN

13 THE COURT: Mr. Andreev, please have a seat here
14 in the witness stand. And as you just did a moment ago,
15 pull the microphone down.

16 MR. HAMMOND: Do you want to start or do you want
17 me to?

18 THE COURT: You go right ahead, Jason.

19 DIRECT EXAMINATION

20 BY MR. HAMMOND:

21 Q. Can you please give us your full name, sir.

22 A. Vladislav Andreev.

23 Q. Okay. Who is your employer?

24 A. Justice Energy Corporation.

25 Q. Okay. Is that who issues you your paycheck? Do you

1 receive a check from Justice Energy?

2 A. No.

3 Q. Who issues you a paycheck?

4 A. Bluestone Industries.

5 Q. Okay. Are you an officer of Justice Energy --

6 A. Yes.

7 Q. -- Corporation?

8 A. Yes.

9 Q. Okay. What is your title with Justice Energy?

10 A. Vice President of Finance.

11 Q. Okay. Are there any other entities that you are an
12 officer of?

13 A. Yes.

14 Q. What, what other entities are you an officer of?

15 A. Bluestone Industries --

16 Q. Okay.

17 A. -- and a number of other entities which are effectively
18 managed by Bluestone Industries.

19 Q. Okay.

20 A. It's more than 10, including Justice Energy
21 Corporation.

22 Q. Okay. Is Bluestone Industries, is that a parent
23 corporation of Justice Energy?

24 A. No, it is not.

25 Q. Okay. Who owns the stock of Justice Energy Company?

1 A. I don't remember right now. Finally, the ultimate
2 owner of Justice Energy Company is Mechel OAO which is a
3 Russian company, publicly traded company.

4 Q. Is that publicly traded in Russia?

5 A. It's publicly traded both in Russia and in the United
6 States.

7 Q. Okay. Is it -- Mechel OAO, is it also traded on the
8 New York Stock Exchange?

9 A. Yes.

10 Q. Okay. So, to backtrack, you don't know who the direct
11 owner of Justice Energy Corporation is?

12 A. I don't remember.

13 Q. Okay. Is there any documents anywhere that will
14 reflect the hierarchy of ownership of Justice Energy?

15 A. Yes.

16 Q. Where would those be located?

17 A. In our office.

18 Q. In Beckley?

19 A. Yes.

20 Q. What's that office address?

21 A. It's 100 Cranberry Creek, Beckley, West Virginia.

22 Q. Okay. What other entities operate out of that office
23 building?

24 A. Basically, all entities involved in coal mining and
25 processing in the United States which are controlled by

1 Mechel OAO.

2 Q. Okay. Somewhere is there a document that reflects who
3 all those entities are that are operating within or from the
4 Beckley address?

5 A. Yes.

6 Q. Okay. Is that located in the Beckley office?

7 A. Yes.

8 Q. Okay. Did you bring any documents with you today?

9 A. No, except for the subpoena.

10 Q. Just the subpoena?

11 A. Yes.

12 Q. Okay. Has there been any effort to try to obtain those
13 documents by you or anybody at Justice Energy?

14 A. Yes.

15 Q. Okay. What has been done thus far to obtain the
16 documents?

17 A. They are physically in our office. So, they can be
18 inspected there.

19 Q. Okay. Are they open and available for inspection --

20 A. Yes.

21 Q. -- by us?

22 A. Yes.

23 Q. Okay. I previously served on Justice Energy some
24 interrogatories -- excuse me -- some requests for production
25 back in August. Have you ever seen a copy of those?

1 A. No.

2 Q. Okay. Today's the first time you've heard about
3 receiving a request for production of documents?

4 A. Yes.

5 Q. Okay. What -- is Justice Energy, is it a West Virginia
6 corporation?

7 A. I think so.

8 Q. Okay. Who are the current officers of Justice Energy?

9 A. Me, the president -- well, to the best of my knowledge.
10 Actually, to the best of my knowledge, it's Stephen Williams
11 who is the president and CEO of that company. And there
12 should be some other -- I don't know what exactly you mean
13 by the officers.

14 Q. Okay. Who are the individuals that run Justice Energy
15 Company?

16 A. CEO, me, and managers which are working in the field.

17 Q. Okay. Does Justice Energy currently have any on-going
18 mining operations?

19 A. What do you mean by "on-going"?

20 Q. Are you mining coal?

21 A. No, not now.

22 Q. Okay. Does Justice Energy have any mining permits
23 through the West Virginia Department of Environmental
24 Protection?

25 A. Yes.

1 Q. Okay. Where are those mining operations located that
2 are permitted?

3 A. In West Virginia.

4 Q. Where in West Virginia?

5 A. If I'm not mistaken, it's Bishop -- it's on the border
6 between West Virginia and Virginia. It's -- there is a city
7 called Bishop. I think it's in West Virginia, not Virginia,
8 in that area.

9 Q. Okay. Is Justice Energy -- is it the actual permittee
10 for those mines?

11 A. As far as I remember, yes.

12 Q. Okay. Is there another Bluestone entity that would be
13 mining the coal at that Bishop mine?

14 A. To the best of my knowledge, no.

15 Q. Okay. It would be mined directly by Justice Energy?

16 A. I think so.

17 Q. Okay. Is that a surface or underground mine?

18 A. The last active mine was surface.

19 Q. Okay. When was it last active?

20 A. Well, if by "active" we mean physically extracting
21 coal, it was this year, but not the last three months for
22 sure.

23 Q. So, sometime in the first half of 2014?

24 A. Yes.

25 Q. Okay. Has that permit applied for inactive status

1 through the West Virginia Department of Environmental
2 Protection?

3 A. I cannot tell you this. I don't know.

4 Q. Okay. Does Justice Energy maintain any bonds with the
5 West Virginia Department of Environmental Protection?

6 A. I think so.

7 Q. Do you know the amount of those bonds?

8 A. No.

9 Q. Do you know if those are cash bonds?

10 A. Or?

11 Q. Or the other option would be purchasing a bond through
12 an insurance broker.

13 A. I don't know for sure.

14 Q. Okay. Where are the documents that would reflect
15 whether Justice Energy has put up a cash bond or actually
16 purchased a bond through an insurance permit?

17 A. In our office.

18 Q. Okay. The coal that was being mined at the Bishop
19 facility that you're discussing, who is the coal owner?

20 A. Justice Energy.

21 Q. Justice Energy actually owns the coal as well, or does
22 it have a lease to mine the coal?

23 A. No, it owns the coal.

24 Q. It owns the --

25 A. You mean reserves or the coal which was extracted?

1 Q. Good point. Who owns the coal reserves at that mine?

2 A. Justice Energy and other entities which are not
3 controlled by Mechel.

4 Q. Okay. So, it would be other companies within the
5 Mechel family?

6 A. No, independent companies --

7 Q. Independent --

8 A. -- which are not controlled by Mechel.

9 Q. Okay. Are they Bluestone companies?

10 A. No, no, they're independent.

11 Q. Okay. Who are they?

12 A. I don't remember.

13 Q. Okay. Is Western Pocahontas Land one of those
14 companies?

15 A. It may well be, but I'm not, I'm not for sure. I'm not
16 sure.

17 Q. Do you, do you have in your office a copy of any lease
18 agreements for the coal reserves at the Bishop facility?

19 A. Yes.

20 Q. Okay. And those are some of the documents that would
21 be made available?

22 A. Yes.

23 Q. Okay. Once the coal is recovered from the ground, who
24 owns the coal?

25 A. Justice Energy.

1 Q. Okay. Once it's stockpiled at the mine, who is it then
2 sold to by Justice Energy?

3 A. To customers.

4 Q. Okay. Is it sold on to another Bluestone entity who
5 sells the customer -- sells it to the customers?

6 A. It may be sold to another Bluestone entity or it may be
7 sold by that, another Bluestone entity to the customer.

8 Q. Okay.

9 A. I'm not sure exactly the scheme of selling. It can be
10 either way.

11 Q. Does Bluestone have an entity that its sole function is
12 coal sales?

13 A. Yes.

14 Q. What's the name of that entity?

15 A. Mechel North America Coal Sales.

16 Q. Is that the entity that deals with end-use customers?

17 A. Yes.

18 Q. Okay. Is there any type of inventory sheet or
19 documents reflecting how much coal is stockpiled on this
20 Bishop mine?

21 A. Yes.

22 Q. Okay. Is that in your office as well?

23 A. Yes.

24 Q. Okay. Do you know if there's currently coal that's
25 been mined that is stockpiled at that mine?

1 A. There is some.

2 Q. How many tons?

3 A. I would say based off what I was told it's between two
4 and three thousand tons.

5 Q. Okay. Do you know what grade of coal that is?

6 A. It's full quality oxidized steam coal.

7 Q. Has, has that coal already been transferred in
8 ownership over to the Mechel North America Sales?

9 A. It's very unlikely.

10 Q. Okay. So, it would still be in the name of Justice
11 Energy?

12 A. Most likely.

13 Q. Okay. What documents are there that Justice Energy
14 maintains that reflects the amount of coal mined at the
15 Bishop plant? Do you do monthly sales reports?

16 A. Yes.

17 Q. Okay. Are there quarterly sales reports?

18 A. Probably.

19 Q. Are there annual sales reports?

20 A. Probably, yes.

21 Q. Is that something that would come to your desk or that
22 you would handle is these type of sales reports?

23 A. The reports coming to my desk show reports for the
24 whole group. And that's why I'm having difficulty in
25 separating between Justice Energy and other entities.

1 Q. Okay. So, you would receive reports from other
2 Bluestone entities reflecting coal sales?

3 A. Yes.

4 Q. Okay. And would all of the entities' coal sales
5 reports come to you?

6 A. Yes.

7 Q. Okay. Does Justice Energy currently have any employees
8 working at the Bishop mine?

9 A. Yes.

10 Q. Okay. How many employees are currently there?

11 A. I can't tell you for sure. It's definitely below 20.

12 Q. Okay. I assume those employees are all being paid for
13 their time and work?

14 A. Yes.

15 Q. Okay. Where is the -- what's the bank that those
16 checks are being issued off of?

17 A. Chase Bank, J.P. Morgan Chase.

18 Q. Is it a local branch that you deal -- Justice Energy
19 deals with for that?

20 A. What do you mean "local"? It's not in New York, yes.

21 Q. It's not -- there's an office in Beckley or around here
22 that the banking would be conducted for for Justice Energy?

23 A. It's probably the Beckley branch, this branch which is
24 near this courthouse, --

25 Q. Okay.

1 A. -- the closest one.

2 Q. Okay. It's near this courthouse is where that bank is?

3 A. I think so, yes.

4 Q. Okay. How much money is currently in that bank account
5 at J.P. Morgan Chase?

6 A. Zero.

7 Q. When is the next time payroll is due?

8 A. I think it's this coming Friday.

9 Q. Okay. When will money be deposited into that J.P.
10 Morgan Chase bank account?

11 A. On the day of payroll.

12 Q. Okay. So, it's -- every day of payroll, money is
13 deposited into that account?

14 A. Normally, yes.

15 Q. Okay. How much is -- is the payroll issued every two
16 weeks?

17 A. Yes.

18 Q. Okay. How much is the deposit that's made to cover
19 payroll for a two-week period?

20 A. I don't remember right now.

21 Q. Is it more or less than \$100,000?

22 A. No, it is less.

23 Q. Okay. Is it more or less than \$50,000?

24 A. I cannot tell for sure.

25 Q. Okay. So, but you do know it's less than \$100,000?

1 A. Yes.

2 Q. Okay. Are there any other bank accounts other than
3 that Chase Bank account that Justice Energy Company
4 maintains?

5 A. No, to the best of my knowledge.

6 Q. Okay. So, it just has one account and all banking is
7 done through Chase?

8 A. That's what I know, yes.

9 Q. Okay. Are there any companies that owe Justice Energy
10 Company money?

11 A. Can you explain this question, please?

12 Q. Okay. Do you -- is there an entity that, say, owes
13 Justice Energy Company money for coal that it bought?

14 A. You mean are there any accounts receivables?

15 Q. What accounts -- okay. Are their accounts receivables
16 for Justice Energy?

17 A. There may be. Yes, there may be.

18 Q. How much are current accounts receivable for Justice
19 Energy?

20 A. Well, let me tell you this. The whole group controlled
21 by Bluestone Industries which Justice Energy is a part of
22 has accounts receivables in approximately \$2 million. And
23 all the funds are owed by the entity which does not
24 recognize this debt.

25 Q. Okay. What is the name of that entity?

1 A. It's Severstal North America.

2 Q. Can you spell that for us, please?

3 A. Sever, S-e-v-e-r, stal, s-t-a-l, North America.

4 Q. Okay. What type of business does Severstal North
5 America conduct?

6 A. They own steel mills. They make coke out of coal.

7 Q. Where are their plants located?

8 A. I think it's in Michigan.

9 Q. Okay. Is there any -- are there any --

10 A. No, it's all over the United States.

11 Q. Okay. Is the \$2 million that's owed for sales to the
12 Michigan plant?

13 A. I'm not sure.

14 Q. Okay.

15 A. And I'm not sure that this \$2 million related directly
16 to the coal which was mined by Justice Energy Corporation.

17 Q. Okay. Could it be other Bluestone entities?

18 A. Yes.

19 Q. Okay. If a sale is made to Severstal North America,
20 would it be of coal that would be mined from multiple
21 Bluestone mines?

22 A. That may be the case, yes.

23 Q. Okay. If -- was that coal sold directly by Justice
24 Energy or was it sold by Mechel North America Coal Sales?

25 A. It was sold by most likely Mechel North America Coal

1 Sales.

2 Q. Okay. Does Mechel North America owe any money to
3 Justice Energy?

4 A. I cannot tell you this.

5 Q. Okay. Is there any documents that would reflect where
6 Mechel North America Coal Sales would owe money to Justice
7 Energy for coal sales?

8 A. Yes, and they're in the same office.

9 Q. Okay. Are there profit/loss statements prepared by
10 Justice Energy?

11 A. Can you explain what "profit/loss" means?

12 Q. A quarterly statement that would show amount of profit,
13 amount of losses that would be prepared that the company
14 incurs.

15 A. Yes.

16 Q. Okay. Is there an inventory sheet that's prepared
17 quarterly?

18 A. Yes.

19 Q. Okay. Are those in your office?

20 A. Yes.

21 Q. Okay. Does Justice Energy own any of the equipment
22 that is utilized at its mine?

23 A. Yes.

24 Q. Okay. Do you know what equipment is at that Bishop
25 mine?

1 A. No, I don't.

2 Q. Okay. Is there an equipment inventory sheet?

3 A. Yes.

4 Q. Okay. Do you know if there's any UCCs that are
5 attached to the equipment Justice Energy owns?

6 A. Most likely there are, but I'm not sure which
7 specifically.

8 Q. Do you maintain copies of the UCCs?

9 A. I'm not sure. Most likely we do.

10 Q. Okay. If you have those, those would be at the office?

11 A. Yes.

12 Q. Okay. Does Justice Energy conduct any coal sales to
13 any entities other than Severstal North America?

14 A. Currently it does not.

15 Q. Okay. How about in the last year?

16 A. Yes.

17 Q. Okay. What other entities has Justice Energy conducted
18 sales with in the last year?

19 A. I'm afraid I may make a mistake, so I better say I
20 don't remember. But there was a number of entities. Again,
21 I'm having trouble, difficulties with separating Justice
22 coal from other entities' coal.

23 Q. So, they all, they all run together to you?

24 A. Pretty much.

25 Q. Okay. Does Justice Energy have any loans that it's

1 taken out?

2 A. I'm not sure.

3 Q. Okay. Has Justice Energy made any loans to anybody?

4 A. Not to the best of my knowledge, no, --

5 Q. Okay.

6 A. -- at least not during the last four years.

7 Q. Okay. How long have you been working for Justice
8 Energy?

9 A. Since October, 2010.

10 Q. Okay. And are you -- I know that you're, what, Vice
11 President of Finance?

12 A. Yes.

13 Q. Okay. Has there been anybody else in that position in
14 the last four years?

15 A. Well, basically, the last four years includes the
16 period between October 14 and October 25 when I was not Vice
17 President. Yes, there was.

18 Q. Who, who was the Vice President before you?

19 A. You know, I'm not sure. I may be -- I started being
20 paid in October 25th, 2010. But I think I was appointed
21 Vice President in May of 2010. So, most likely I was Vice
22 President all four years.

23 Q. Okay. The -- backtracking just a second, I know that
24 from what you've told me, every payday money is transferred
25 to Chase Bank to cover Justice Energy payroll. Where is

1 that money transferred from?

2 A. From the account of Bluestone Industries.

3 Q. Okay. So, it's Bluestone Industries that transfers the
4 money to a Justice Energy account to cover the two-week
5 payroll?

6 A. Normally, yes.

7 Q. Okay. Is there another entity that transfers money to
8 Justice Energy to cover payroll?

9 A. No, not very likely.

10 Q. Okay. You're aware that my client, James River
11 Equipment, Virginia, LLC, has obtained a judgment in the
12 amount of approximately \$160,000; correct?

13 A. Yes.

14 Q. Can you tell me why it is that judgment has not been
15 paid?

16 A. Because we didn't have funds to pay it.

17 Q. Okay. Do you have any anticipation of receiving funds
18 in order to pay that account?

19 A. They are not hard. I mean, I have hopes but I have no
20 solid expectations when funds may come.

21 Q. Okay. Is Justice Energy currently applying for any
22 type of loans in order to obtain financing or money to pay
23 accounts?

24 A. No, it is not, but we've been requesting funds from our
25 shareholder, from this Russian company.

1 Q. That shareholder is Mechel OAO?

2 A. Yes.

3 Q. Okay. So, you're -- is it Bluestone Industries that's
4 been requesting funds --

5 A. Yes.

6 Q. -- to pay accounts?

7 A. Yes.

8 Q. Okay. What is the status of that?

9 A. It's a daily requesting, and they're making decisions
10 based on availability of funds and how urgent they feel they
11 should be paid.

12 Q. Is that, is that decision made out of Moscow?

13 A. Yes.

14 Q. Okay. And would the money be transferred from Moscow
15 to the United States?

16 A. Normally, the money is transferred from Switzerland to
17 the United States.

18 Q. Okay.

19 A. Sometimes it goes from Moscow.

20 Q. Okay. So, the money -- if Bluestone Industries were to
21 receive money from Mechel OAO, it would be from either
22 Switzerland or Moscow?

23 A. I would say Moscow through Russia, yes.

24 Q. Russia, okay. What is the bank in Switzerland that the
25 funds would come from?

1 A. I don't remember.

2 Q. Okay. What is the bank -- or what's the Russian bank
3 that the funds would come from?

4 A. Normally, it's Uglemetbank.

5 Q. Can you spell that for us?

6 A. U-g-l-e-m-e-t-b-a-n-k.

7 Q. Okay. When is the last time that Bluestone Industries
8 has received a transfer of funds from Mechel OAO?

9 A. Last week.

10 Q. Okay. How much money was received?

11 A. Between one hundred and one hundred and fifty thousand
12 dollars.

13 Q. Okay. Where is that money located?

14 A. It's been paid, paid out.

15 Q. Okay. All, all of those funds have already been paid
16 out?

17 A. Yes.

18 Q. Okay. What were they paid out for?

19 A. Payroll.

20 Q. Okay. Does Bluestone Industries receive a transfer
21 every two weeks from Mechel OAO to cover payroll?

22 A. Approximately.

23 Q. Okay, approximately. It could be a day early or a day
24 late or what?

25 A. No, it may be more often because there are different

1 schedules of payroll.

2 Q. Okay.

3 A. So, actually it's more like four times a month. And in
4 some months, it's five times a month.

5 Q. Is there a set day where those funds would be received
6 from Mechel OAO?

7 A. No.

8 Q. Okay. When is the next scheduled transfer of funds
9 from Mechel to Bluestone Industries?

10 A. I don't know. I don't schedule those funds. They do.

11 Q. Okay. Well, I know that you have a payroll coming up
12 in three days.

13 A. Yes.

14 Q. Is there funds set to be scheduled or will there be
15 funds transferred from Mechel to Justice Energy or Bluestone
16 Industries in two or three days?

17 A. I hope so, but it's up to Moscow headquarters.

18 Q. Okay. Who is the individual there that makes that
19 decision?

20 A. I cannot tell. I do not know.

21 Q. Okay. Is there a certain department that it comes from
22 or --

23 A. Yes.

24 Q. What is that?

25 A. Probably it should be treasury of Mechel.

1 Q. Okay. Has Mechel -- has it applied for any type of
2 Government bailout from the Russian government?

3 A. I don't know.

4 Q. Okay. That's not something you would be involved in?

5 A. Not for sure. I'm, I'm only reading newspapers to get
6 knowledge about this.

7 Q. Okay. Does Justice Energy Company own the stock of any
8 other companies?

9 A. That may be the case. It's not a party to trade stock,
10 maybe just share in some other companies, yes.

11 Q. What other companies does Justice Energy own the shares
12 of?

13 A. I don't know --

14 Q. Okay. Is there --

15 A. -- if it owns.

16 Q. Beg your pardon?

17 A. I don't know if it owns. And if it does, I don't know
18 which specifically companies.

19 Q. Would there be documents at your office that would
20 reflect if Justice Energy owns the shares?

21 A. Yes.

22 Q. Okay. Is there any type of chart showing the hierarchy
23 of companies within Bluestone Industries?

24 A. Yes.

25 Q. Okay. Do you have a copy of that at your office in

1 Beckley?

2 A. Yes.

3 Q. Okay.

4 A. Let me make myself clear. When I'm saying I have -- I
5 mean, you're asking "you" and I assume "we" as all officers.
6 So, it's not in my personal possession.

7 Q. Right. You, you are here today, it's my understanding,
8 as an officer of Justice Energy.

9 A. Okay, right.

10 Q. Correct? And you, you've been given authority by
11 Justice Energy to come and testify on its behalf; correct?

12 A. Yes.

13 Q. Okay. And that's what you're doing today is testifying
14 on behalf of Justice Energy.

15 A. Yes.

16 Q. Okay. I pulled up -- the West Virginia Secretary of
17 State did a search of Bluestone entities. Are you also an
18 officer of Bluestone Coal Corporation?

19 A. Yes, I think so.

20 Q. Okay. How about Bluestone Equipment Management, Inc?

21 A. I think so too.

22 Q. Okay. How about Bluestone Industries, Inc?

23 A. Yeah. I told you that's the same company.

24 Q. Right. How about Bluestone Oil Corp?

25 A. I'm not sure, but that may be the case.

1 Q. Okay. Double Bonus Coal Company?

2 A. Most likely, yes.

3 Q. Dynamic Energy Company?

4 A. Yes.

5 Q. Energy Plus, Inc?

6 A. I don't remember the company.

7 Q. Okay. Frontier Coal Company?

8 A. Most likely, yes.

9 Q. Okay. Gilbert Mine, Inc?

10 A. I don't think so.

11 Q. How about James C. Justice Companies, LLC?

12 A. I'm not sure.

13 Q. Okay. James River Construction Company?

14 A. Not very likely.

15 Q. Okay. How about JCJ Coal Group, LLC?

16 A. I don't think so.

17 Q. Okay. How about Justice Highwall Mining, Inc?

18 A. Yeah, most likely I'm an officer of that company.

19 Q. What's the difference -- what does Justice Highwall
20 Mining, Inc., do?

21 A. Justice Highwall Mining creates highwall mining
22 machines, working different jobs.

23 Q. Okay. How about Keystone Industries, Inc? Are you an
24 officer of it?

25 A. I think so.

1 Q. How about Landgraff Realty Company, Inc?

2 A. I don't think so.

3 Q. Okay. M & P Services, Inc?

4 A. Most likely, yes.

5 Q. Okay. Mechel Bluestone, Inc?

6 A. Yes.

7 Q. Okay. Mechel North American Sales Corporation?

8 A. I think so, yes.

9 Q. Okay. How about Mill Creek Coal, LLC?

10 A. I don't think so. I don't remember the company.

11 Q. How about Natural Resources, Inc?

12 A. I'm not sure.

13 Q. Okay. How about Newpac (phonetic) Coal Company, Inc?

14 A. I don't think I'm a officer of that company.

15 Q. Okay. Pay Car Mining, Inc?

16 A. I think I am.

17 Q. Okay. How about Red Fox Coal, LLC?

18 A. I don't think.

19 Q. Okay. Second Sterling Corp?

20 A. I cannot tell for sure.

21 Q. Okay. All the companies that I just mentioned that
22 you're an officer of, do they all operate out of the same
23 address, the same office in Beckley?

24 A. Is it a question?

25 Q. Yes, it is. Do they all operate out of the same office

1 address?

2 A. Okay. They have their own physical locations where
3 they perform physical operations. But all management like
4 headquarters is at the same address, right.

5 Q. At the Beckley address?

6 A. Yes.

7 Q. Okay. All the companies -- all the upper management of
8 those companies operates out of the Beckley address?

9 A. I would call it headquarters --

10 Q. Headquarters.

11 A. -- because we can tell if they're general like
12 managers, for example. There are superintendents. There
13 are foremen who are operating physically outside of that
14 office.

15 Q. They're going to be at the mine sites?

16 A. Yes.

17 Q. Okay. Other than the Bishop property that you told me
18 about, does Justice Energy own any property? And when I say
19 "property," real property, land.

20 A. I don't think so, but I'm not sure. We -- as a group,
21 we own some land, but I'm not sure if Justice Energy owns
22 land.

23 Q. What, what is the name of the entity that owns the land
24 for the group?

25 A. I don't know.

1 Q. Okay. Is it one of the Mechel companies?

2 A. Yes. When I'm saying "we," I mean Mechel companies,
3 yes.

4 Q. Okay. That are managed out of the same office?

5 A. Yes.

6 Q. Okay. Do all of those companies do their banking at
7 Chase Bank?

8 A. Yes.

9 Q. Okay. Are there any other banks that the Mechel
10 companies use?

11 A. Yes.

12 Q. Okay. What, what banks are those?

13 A. Used for keeping their checking accounts?

14 Q. Yes, sir.

15 A. There are other banks. I'm not sure. I think there is
16 City National Bank. But there may be some other banks too.
17 There may be some old accounts opened.

18 Q. Is City National Bank here in Beckley?

19 A. I think so.

20 Q. Okay. That's the only other bank that you're aware of?

21 A. That I remember, yes.

22 Q. Do you recall if Justice Energy has any bank accounts
23 at City National Bank?

24 A. I don't know. It may have. It may not.

25 Q. Do you know -- does Justice Energy have any type of

1 safe deposit boxes?

2 A. I wouldn't expect it to have.

3 Q. Are you aware of other cases where entities have made,
4 obtained a judgment against Bluestone or its entities and
5 Justice has failed to pay those judgments?

6 A. I'm not aware, which means I don't remember.

7 Q. Okay. Are you aware of a situation in Wyoming County
8 where Bluestone reached a settlement with the Lambert family
9 and failed to pay it?

10 A. I remember on the case when we failed to pay on
11 settlement and we finally paid. But I cannot tell -- no,
12 no, it's a different case. I don't remember this.

13 Q. Is there a case in -- are you aware of a case in
14 McDowell County where Bluestone has reached a settlement and
15 failed to pay it?

16 A. I don't remember the county honestly.

17 Q. Okay. But you're aware of cases where Bluestone is
18 reaching settlements and failing to pay?

19 A. There was a case where we reached a settlement, failed
20 to pay, but ultimately managed to pay. We just paid it.
21 Today there should have been a hearing in some other
22 counties, some county, yes.

23 Q. Okay. Are you, are you the person who would be
24 responsible for issuing payment to vendors of Justice Energy
25 Company?

1 A. Yes.

2 Q. Okay. Is there people that work underneath of you
3 within your department that also process payments to
4 vendors?

5 A. Yes.

6 Q. Okay. But the ultimate approval of the payment goes
7 through you?

8 A. Through me or through the president.

9 Q. Okay. Mr. Williams?

10 A. Yes.

11 Q. Okay. Do you in your role -- are you the person who
12 would be responsible for paying self-insured retentions to
13 insurance companies that help insure Bluestone?

14 A. What is self-insured retention?

15 Q. That you're responsible for certain amounts of money
16 under the insurance policy.

17 A. I'm not sure I understand the question.

18 Q. Okay. For, for example, AIG issues insurance to
19 Bluestone and Bluestone is responsible for paying portions
20 of the settlement and attorney's fees.

21 A. Okay.

22 Q. Are you the person that issues the check in payments
23 for those?

24 A. Yes. I make decisions when issuing checks, me or Mr.
25 Williams.

1 Q. Okay. Are any insurance companies currently holding
2 monies of Bluestone that it's holding in trust for
3 Bluestone?

4 A. I don't think so.

5 Q. Okay. Do you -- are there any law firms that are
6 currently holding money in their trust account that is
7 Bluestone money?

8 A. You mean on retainers?

9 Q. Yes, sir.

10 A. Probably not.

11 Q. Okay. Do you still have law firms that are performing
12 work for Bluestone?

13 A. Yeah, we do.

14 Q. Okay. What law firms perform work for Bluestone?

15 A. Well, there's a number of firms. I'm not sure I can
16 quote their names. I just don't remember exact names.

17 Q. Okay. Do you know if Justice Energy ever retained a
18 law firm for the lawsuit I filed on behalf of James River
19 Equipment, Virginia, LLC?

20 A. I don't know.

21 Q. Okay. Who, who would be the person at headquarters
22 that would be responsible for hiring a law firm for that?

23 A. It's our legal counsel, Roman Semenov.

24 Q. Okay. Is he currently in West Virginia?

25 A. Yes.

1 Q. Okay. How much -- how long will he be in West Virginia
2 for?

3 A. I'm sorry. What was your question?

4 Q. How much longer will he be in West Virginia?

5 A. I don't know.

6 Q. He travels back and forth from Russia, doesn't he?

7 A. No, he -- well, sometimes he's in Russia but I'm not
8 aware of his exact plans.

9 Q. Does Justice Energy currently have any credit lines
10 available to it?

11 A. It should not have any.

12 Q. Okay. How about Bluestone?

13 A. No.

14 Q. It does not operate off of a credit line?

15 A. No. It may have some line, but I don't remember any
16 credit line agreement. So, --

17 Q. Who would the line be with?

18 A. I think we used to have something with Chase, a line,
19 but I think it was closed.

20 Q. Okay. Has -- does Justice Energy file tax returns?

21 A. As a part of the group.

22 Q. Okay. Is there one tax return that's filed for the
23 group?

24 A. I think there are more than one, maybe two.

25 Q. Okay. Which -- what entity would file a tax return

1 that would include Justice Energy's income and liabilities?

2 A. I cannot tell for sure. Most likely it's Mechel
3 Bluestone.

4 Q. Okay. Do you have copies of those tax returns?

5 A. Yes.

6 Q. Are those in your office in Beckley?

7 A. Yes.

8 Q. Okay. Was there a 2013 tax return filed?

9 A. Yes.

10 Q. But your, your belief is that Justice Energy files
11 under Mechel Bluestone?

12 A. Yes.

13 Q. Okay. And it files with the United States -- files
14 with the IRS?

15 A. Yes.

16 Q. Okay. Does it also file a state tax return?

17 A. Yes.

18 Q. Okay. Does Justice Energy currently have any intention
19 of filing for bankruptcy?

20 A. No. It's contemplated, but there's no intention.

21 Q. How about Bluestone?

22 A. The same.

23 Q. Okay. Has it retained a bankruptcy attorney?

24 A. We have a consultant, which is a bankruptcy attorney,
25 to help us figure out consequences of filing for bankruptcy.

1 Q. Who is the consultant?

2 A. I don't remember.

3 Q. Is it somebody in the United States?

4 A. Yes.

5 Q. Somebody in West Virginia?

6 A. I don't think so.

7 Q. Okay. Does Justice Energy Company produce financial
8 statements?

9 A. What do you mean by producing?

10 Q. Does it have a financial statement prepared on its
11 behalf?

12 A. Yes.

13 Q. Okay. Does it -- is that something that has to be
14 filed with the SEC?

15 A. No.

16 Q. Okay. Does it have an accounting firm that performs
17 audits of Bluestone?

18 A. It used to have.

19 Q. Okay. Who used to be the Bluestone auditor?

20 A. I think it was BEO (phonetic).

21 Q. Can you say that again?

22 A. BEO.

23 Q. Where were they located out of?

24 A. I don't remember; not in West Virginia, but in the
25 United States.

1 Q. Do you have copies of any audits of financial
2 statements?

3 A. Yes.

4 Q. That's in --

5 A. Consolidated. It's not for Justice Energy. It's for
6 Mechel Bluestone group.

7 Q. It's for the, I guess, the family of companies?

8 A. Yes.

9 Q. Okay. The bank account that Justice Energy issues
10 payroll for, are there any other companies within the
11 Bluestone family that payroll is issued through that
12 account?

13 A. The account of Bluestone Industries.

14 Q. Okay. The account -- I was under the impression that
15 the Chase Bank account that Justice Energy issues payroll
16 through was the Justice Energy account. But that's the
17 Bluestone Industries account?

18 A. No, it's Justice -- as far as I remember how the system
19 works, it's Justice Energy account which pays through
20 Justice Energy workers, employees. But this account gets
21 funds from Bluestone Industries account.

22 Q. Okay. And Bluestone Industries receives its funds
23 through Mechel OAO?

24 A. Yes, from Mechel.

25 Q. Mechel. I'm sorry.

1 MR. HAMMOND: Can I have just a minute to look
2 over my notes? I think I'm just about finished if that's
3 fine.

4 THE COURT: Sure.

5 (Pause)

6 BY MR. HAMMOND:

7 Q. Does Bluestone Industries currently have any lawsuits
8 pending where it anticipates receiving funds from somebody?

9 A. I don't think so.

10 Q. Okay. How about Justice Energy? Does it currently
11 have any on-going lawsuits it expects to receive funds from
12 anybody?

13 A. I don't think so.

14 Q. Are you aware if Justice Energy currently has any
15 insurance claims pending where it expects to receive funds
16 from somebody?

17 A. No, I don't.

18 Q. Okay. How about Bluestone?

19 A. No, I don't remember any.

20 Q. How soon can the documents that you've referenced and
21 I've requested in the subpoena be made available to us to
22 review?

23 A. All documents will take maybe two weeks.

24 Q. Okay. Who would I contact to make arrangements in
25 order to come and review those documents?

1 A. You can contact Roman Semenov.

2 Q. And what's the telephone number where he can be reached
3 to review those documents?

4 A. I think it should be our office phone number.

5 Q. The main office number. What is that?

6 A. I don't remember it.

7 Q. Okay.

8 MR. HAMMOND: Subject to any follow-up questions
9 Your Honor may have, I don't think I have anything else at
10 this time. I would like to reserve the right once I receive
11 those documents to follow up --

12 THE COURT: All right.

13 MR. HAMMOND: -- from those.

14 THE COURT: Well, I have noticed -- and that was
15 very thorough. Thank you, Jason. I have noticed that you
16 have not inquired regarding real estate or minerals that
17 Justice Energy may own in other states.

18 MR. HAMMOND: Okay.

19 THE COURT: So, why don't you go ahead and ask a
20 few questions on those two items.

21 MR. HAMMOND: I'll be glad to do so.

22 BY MR. HAMMOND:

23 Q. Does Justice Energy own any land in states other than
24 West Virginia?

25 A. I don't remember. If it does, if it does, they may own

1 something in Virginia.

2 Q. Okay. Does it have any mining permits in Virginia?

3 A. It may have.

4 Q. Okay. But you don't know one way or the other?

5 A. I'm not sure. It's on the very border between Virginia
6 and West Virginia.

7 Q. Would that also be -- would that be part of the Bishop
8 mine that you told me about?

9 A. Yes.

10 Q. Okay. Do you know if that would be a -- if that is a
11 Virginia mining permit or a West Virginia mining permit?

12 A. I'm sure it has a West Virginia mining permit. It may
13 also have a Virginia mining permit.

14 Q. Okay. It's just -- the land is, I guess, adjoined in
15 both states?

16 A. Yes.

17 Q. Okay. Does Justice Energy have any coal ownership in
18 Virginia?

19 A. What do you mean by coal ownership?

20 Q. Does it own the coal at the Virginia portion of the
21 mine? In -- own the coal reserves in the Virginia portion
22 of the mine.

23 A. I don't think so.

24 Q. Okay. Who owns the coal reserves in Virginia?

25 A. Well, it should be -- if Justice Energy owns those

1 reserves, it should be Justice Energy.

2 Q. Okay. If it doesn't own the reserves, who is it?

3 A. The reserves of Justice Energy Mining. I cannot tell
4 for sure.

5 Q. Okay. Does it own any coal -- any land or coal
6 reserves outside of Virginia or West Virginia?

7 A. Very unlikely.

8 Q. Okay. Does Bluestone own any coal reserves outside of
9 Virginia or West Virginia?

10 A. Bluestone as a group?

11 Q. Yes.

12 A. No.

13 Q. Does Bluestone own any land outside of Virginia or West
14 Virginia?

15 A. No. To the best of my knowledge, no.

16 Q. Okay. Are -- even if the land and coal reserves is
17 owned in Virginia, is it managed out of the Beckley office?

18 A. Yes.

19 Q. Okay.

20 MR. HAMMOND: That's all I have further on that,
21 Your Honor.

22 THE COURT: All right. Thank you.

23 Well, I, I appreciate your being present, Mr. Andreev,
24 and answering these questions, sir. It's very helpful.

25 Does Justice Energy have any interest in negotiating

1 this judgment away?

2 MR. ANDREEV: We would like to negotiate. I don't
3 know which defense we may raise.

4 THE COURT: Uh-huh. Perhaps if the -- my job is
5 to see to it that the, that every avenue is explored from
6 the standpoint of collecting the funds to pay the judgment
7 and, if possible, secure the payment of the entire judgment.

8 But, of course, that's very often not possible in view
9 of economic circumstances as I think we all in the courtroom
10 today understand they are with respect to coal mining and
11 steel production.

12 So, it would seem to me that Justice Energy would be
13 interested in perhaps taking advantage of these
14 circumstances and negotiating a settlement of this judgment.
15 I'm not saying that James River would be, but they need to
16 be satisfied respecting the availability of funds to pay the
17 judgment. And if it would appear they're not available,
18 then the next best thing is to have somekind of settlement
19 of the matter.

20 MR. ANDREEV: Yes. That would be, that would be
21 an option for us, sure.

22 THE COURT: Okay.

23 MR. HAMMOND: I can be reached. You guys have my
24 contact information. If you're interested in negotiating a
25 judgment and talking to me about resolving this, I'm

1 certainly glad to convey that on to my client and take every
2 effort. We'd like to get this resolved and put behind us as
3 well.

4 MR. ANDREEV: So do we.

5 THE COURT: All right. Well, thank you again.
6 Thank you very much.

7 MR. HAMMOND: Appreciate your time, sir.

8 THE COURT: All right.

9 I appreciate your time. And let us know as you go
10 forward, Jason, with your examination of documents and so
11 forth.

12 MR. HAMMOND: Appreciate it. Thank you, Judge.

13 MR. ANDREEV: Thank you.

14 (Proceedings concluded at 11:27 a.m.)
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1 I, Lisa A. Cook, Official Reporter of the United
2 States District Court for the Southern District of West
3 Virginia, do hereby certify that the foregoing is a true and
4 correct transcript, to the best of my ability, from the
5 record of proceedings in the above-entitled matter.

6
7
8 s\Lisa A. Cook

October 24, 2014

9 Reporter

Date

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